



J. TYLER McCaULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 12, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **BASIC ADULT SPANISH EDUCATION CONTRACT - WORKFORCE  
INVESTMENT ACT PROGRAM**

We have conducted a program, fiscal and administrative contract review of Basic Adult Spanish Education, Inc., (BASE or Agency), a Workforce Investment Act Program (WIA) service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

**Background**

The Department of Community and Senior Services (DCSS) contracts with BASE, a private, non-profit, community-based organization, to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist individuals with low income with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by BASE include career planning, occupational skills, training and job placement. BASE's offices are located in the Third and Fifth Districts. BASE is compensated on a cost reimbursement basis. For Fiscal Year (FY) 2004-2005, DCSS paid BASE approximately \$71,914, and for FY 2005-2006, BASE's contract is for approximately \$65,517.

### **Purpose/Methodology**

The purpose of the review was to determine whether BASE has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to the participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

### **Results of Review**

The five program participants interviewed confirmed that the services they received met their expectations. In addition, BASE maintained appropriate documentation to support participants' eligibility and the program services provided to the six participants served.

Overall, BASE maintained adequate internal controls over its business operations. However, BASE made checks payable to "CASH" to replenish the petty cash fund which is not allowed. The checks to replenish petty cash should be made out to the petty cash custodian.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with BASE on May 2, 2006. In their attached response, BASE concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We thank BASE for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Virginia G. Rafelson, Executive Director, Basic Adult Spanish Education, Inc.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
BASIC ADULT SPANISH EDUCATION, INC.  
FISCAL YEAR 2005-06**

**ELIGIBILITY**

**Objective**

Determine whether Basic Adult Spanish Education, Inc., (BASE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files of the six participants that received services between July 2005 and January 2006. We reviewed the case files for documentation to confirm their eligibility for WIA program services.

**Results**

The case files for all six (100%) program participants contained documentation to support the participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations in this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether BASE provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants actually received the billed services.

**Verification**

We reviewed the documentation contained in the case files for six (100%) program participants that received services during July 2005 through January 2006. We also interviewed five program participants. We were unable to contact the sixth participant.

**Results**

The five program participants interviewed stated that the services they received met their expectations. In addition, the case files for all six (100%) program participants contained documentation to support the services billed to DCSS.

**Recommendation**

There are no recommendations in this section.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for November 2005.

**Results**

BASE maintained adequate internal controls to ensure that revenue is properly recorded and deposited in a timely manner. However, BASE made checks payable to "CASH" to replenish the petty cash fund. According to the County contract, checks made payable to "CASH" is strictly prohibited. BASE should make checks payable to the petty cash custodian to replenish the petty cash fund.

**Recommendation**

1. BASE management ensure that checks to replenish the petty cash fund are made payable to the petty cash fund custodian.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records, and other documentation to support nine (60%) of the 15 non-personnel expenditure transactions billed by the Agency for November 2005, totaling \$934.

**Results**

BASE's expenses were allowable, accurately billed to DCSS and supported by documentation as required.

**Recommendation**

**There are no recommendations in this section.**

**INTERNAL CONTROLS****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, BASE maintained adequate internal controls over its business operations. However, BASE's mileage claims did not provide adequate information to support the claims. Specifically, the mileage claims did not provide the purpose of the trip, points of origin and destination, or the mileage rate.

**Recommendation**

- 2. BASE management ensure that employees provide adequate information, such as the purpose of the trip, points of origin and destination, and the mileage rate, to support the mileage being claimed.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether BASE's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

**Results**

We did not perform test work in this section. BASE did not use WIA funding to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced and agreed the payroll expenses for four employees, totaling approximately \$3,100, to the payroll records and time reports. The amount represented 77% of the \$4,044 billed to DCSS for November 2005. We also interviewed one staff and reviewed the personnel files for four staff assigned to the WIA program.

**Results**

RRC appropriately charged payroll expenses to the WIA program. In addition, RRC's personnel files were properly maintained.

**Recommendation**

**There are no recommendations in this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether BASE's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

**Verification**

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in November 2005.

**Results**

BASE's Cost Allocation Plan was prepared in compliance with the County Contract and costs were appropriately allocated.

**Recommendation**

**There are no recommendations in this section.**

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

**Verification**

We verified whether the outstanding recommendations from Fiscal Year 2004-05 monitoring review were implemented. The report was issued on January 13, 2006.

**Results**

The prior monitoring report contained seven recommendations. BASE implemented five of the seven. For the two recommendations still outstanding, BASE's anticipated implementation date is June 30, 2006.

**Basic Adult  
Spanish Education**  
A Non-Profit Corporation  
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Los Angeles American  
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LUPE REYES  
Adult Education, Los Angeles  
Unified School District

ALICE SPIELBERG  
Former Grinnell College Coordinator

JOHN MADRID-WORTHEN  
Southern California Council

VIRGINIA G. RAFELSON  
Executive Director and Controller



Mr. J. Tyler McCauley, Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
1000 S. Fremont Ave., Unit #51  
Alhambra, CA 91803

May 5, 2006

**Re: 2005-2006 Report on On-Site Review of DCSS Workforce  
Investment Act Adult Program.**

Dear Mr. McCauley:

Kindly find attached the responses to the above contract review of April  
2006.

Should you need further information on this matter please call me at (818)  
348-4771.

Most Cordially

*Virginia G. Rafelson*  
Virginia G. Rafelson  
Executive Director

**B**

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**S**

**E**







## **RESPONSE TO RECOMMENDATIONS**

### **CASH/REVENUE**

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#### **Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation's for November 2005.

#### **Results**

BASE maintained adequate internal controls to ensure that revenue is properly recorded and deposited in a timely manner. However, BASE made checks payable to "CASH" to replenish the petty cash fund. According to the County contract, checks made payable to "CASH" is strictly prohibited. BASE should make checks payable to the petty cash custodian to replenish the petty cash fund.

#### **Recommendation**

1. BASE management ensure that checks to replenish the petty cash fund are made payable to the petty cash fund custodian.

**BASE agrees with this recommendation and has implemented this procedure into our program**

### **INTERNAL CONTROLS**

BASE's mileage claims did not provide adequate information to support the claims. Specifically, the mileage claims did not provide the purpose of the trip, points of origin and destination, or the mileage rate.

**BASE agrees with the recommendation and will utilize the form that was e-mailed by Ms Yoon effective 5-3-06.**

#### **Basic Adult Spanish Education (BASE)**

7009 Owensmouth Ave. Canoga Park, CA 91303 Tel: (818)348-4771 Fax: (818) 883-5834  
e-mail: baseedu@pacbell.net  
www.baseedu.com



### **PRIOR YEAR FOLLOW-UP**

#### **Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

#### **Verification**

We verified whether the outstanding recommendations from Fiscal Year 2004-05 monitoring review were implemented.

#### **Results**

The prior monitoring report contained seven recommendations. BASE implemented five of the seven. For the two recommendations still outstanding, BASE's anticipated implementation date is June 30, 2006.

**BASE agrees with this recommendation and will comply as stated above.**

#### **Basic Adult Spanish Education (BASE)**

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